

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: \_\_\_\_\_

Chapter 11 Case No. \_\_\_\_\_

**Lehman Brothers Holdings Inc., et al.,**

08-13555

Debtors. \_\_\_\_\_

**MAY 2016 POST-EFFECTIVE OPERATING REPORT**

MAY 1, 2016 – MAY 31, 2016  
SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS  
SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS  
RESPONSES TO QUESTIONS SUBMITTED

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Date: June 24, 2016

**TABLE OF CONTENTS**

Schedule of Debtors .....	3
Lehman Brothers Holdings Inc. and Other Debtors and Other Controlled Entities	
Basis of Presentation — Schedule of Cash Receipts and Disbursements .....	4
Schedule of Cash Receipts and Disbursements .....	5
LBHI	
Basis of Presentation – Schedule of Professional Fee and Expense Disbursements .....	7
Schedule of Professional Fee and Expense Disbursements .....	8
Responses to Questions Submitted.....	9

**SCHEDULE OF DEBTORS**

The twenty three entities listed below (the “Debtors”) filed for bankruptcy in the United States Bankruptcy Court for the Southern District of New York (the “Bankruptcy Court”) on the dates indicated below. On December 6, 2011, the Bankruptcy Court confirmed the Modified Third Amended Joint Chapter 11 Plan of Lehman Brothers Holdings Inc. and its Affiliated Debtors (the “Plan”). On March 6, 2012, the “Effective Date” (as defined in the Plan) occurred. As of the date hereof, the following Debtors’ chapter 11 cases remain open:

	<u>Case No.</u>	<u>Date Filed</u>
Lehman Brothers Holdings Inc. (“LBHI”)	08-13555	9/15/2008
Lehman Brothers Commodity Services Inc. (“LBCS”)	08-13885	10/3/2008
Lehman Brothers Special Financing Inc. (“LBSF”)	08-13888	10/3/2008
Lehman Brothers OTC Derivatives Inc. (“LOTC”)	08-13893	10/3/2008
Lehman Brothers Derivative Products Inc. (“LBDP”)	08-13899	10/5/2008
Lehman Commercial Paper Inc. (“LCPI”)	08-13900	10/5/2008
Lehman Brothers Commercial Corporation (“LBCC”)	08-13901	10/5/2008
Lehman Brothers Financial Products Inc. (“LBFP”)	08-13902	10/5/2008
Lehman Scottish Finance L.P.	08-13904	10/5/2008
East Dover Limited	08-13908	10/5/2008
Luxembourg Residential Properties Loan Finance S.a.r.l.	09-10108	1/7/2009
BNC Mortgage LLC	09-10137	1/9/2009
LB Rose Ranch LLC	09-10560	2/9/2009
Structured Asset Securities Corporation	09-10558	2/9/2009
Merit LLC	09-17331	12/14/2009

The following Debtors’ chapter 11 cases were closed on January 28, 2016, pursuant to a final decree entered by the Bankruptcy Court (Docket No. 51920):

	<u>Case No.</u>	<u>Date Filed</u>	<u>Date Closed</u>
LB 745 LLC	08-13600	9/16/2008	1/28/2016
PAMI Statler Arms LLC	08-13664	9/23/2008	1/28/2016
CES Aviation LLC	08-13905	10/5/2008	1/28/2016
CES Aviation V LLC	08-13906	10/5/2008	1/28/2016
CES Aviation IX LLC	08-13907	10/5/2008	1/28/2016
LB 2080 Kalakaua Owners LLC	09-12516	4/23/2009	1/28/2016
LB Somerset LLC	09-17503	12/22/2009	1/28/2016
LB Preferred Somerset LLC	09-17505	12/22/2009	1/28/2016

The Company has established an email address to receive questions from readers regarding its financial disclosures. The Company plans to review questions received, and for those subjects which the Company determines a response would not (i) violate a confidentiality provision, (ii) place the Company in a competitive or negotiation disadvantage, or (iii) be unduly burdensome relative to the value of information requested, the Company shall endeavor to post a response (maintaining the anonymity of the originators of the questions). The Company assumes no obligation to respond to email inquiries.

**Please email questions, with document references as relevant, to:**

**[QUESTIONS@lehmanholdings.com](mailto:QUESTIONS@lehmanholdings.com)**

The Company’s previously posted responses can be found on the Epiq website maintained for the Company:

**[www.lehman-docket.com](http://www.lehman-docket.com)** under the Key Documents tab and the Responses to Questions Submitted category

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED  
ENTITIES**

**BASIS OF PRESENTATION**  
**SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS**  
**MAY 1, 2016 – MAY 31, 2016**

The information and data included in this May 2016 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator, and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, which includes certain information as required by the Office of the US Trustee, based on the information available to LBHI at this time, but notes that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

**Other items:**

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future. Cash balances and activity denominated in foreign currencies have been converted to US Dollars.
2. Beginning and ending balances include demand deposits, interest-bearing deposits with banks, U.S. and foreign money-market funds, U.S. government obligations, U.S. government guaranteed securities, investment grade corporate bonds and commercial paper, and AAA-rated asset-backed securities secured by auto loans and credit card receivables.
3. Beginning and ending cash balances are based on preliminary closing numbers and are subject to adjustment.
4. Beginning and ending cash and investment balances exclude the following:
  - Cash posted as collateral for hedging activity; and
  - Cash held at real estate owned properties or at third party real estate managers.

LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities

Schedule of Cash Receipts and Disbursements

May 1, 2016 - May 31, 2016

Unaudited (\$ in millions, foreign currencies reflected in USD equivalents)

	Debtors					Debtor-Controlled Entities Total	Total Debtors and Debtor-Controlled Entities
	LBHI		LCPI		Other		
					Total		
<b>Beginning Free Cash and Investments (05/01/16)</b>	\$ 93	\$ 38	\$ 69	\$ 281	\$ 481	\$ 273	\$ 754
<b>Sources of Cash</b>							
Commercial Real Estate	0	-	24	-	24	1	24
Loans (Corporate and Residential)	1	-	0	0	1	1	1
Private Equity / Principal Investing	(a) 0	-	-	-	0	71	71
Derivatives	(b) -	263	-	30	293	-	293
Receipts from Affiliates	0	0	-	-	0	-	0
Other	(c) 1,206	0	1	0	1,207	5	1,213
<b>Total Sources of Cash</b>	<b>1,207</b>	<b>264</b>	<b>25</b>	<b>30</b>	<b>1,525</b>	<b>78</b>	<b>1,603</b>
<b>Uses of Cash</b>							
Non-Operating							
Commercial Real Estate	(0)	-	(0)	-	(0)	(0)	(1)
Private Equity / Principal Investing	-	-	-	-	-	(0)	(0)
Other	(4)	-	-	-	(4)	-	(4)
Operating Expenses							
Compensation and Benefits	(e) (4)	-	-	-	(4)	(0)	(5)
Professional Fees	(13)	-	-	(0)	(13)	(0)	(13)
Other	(1)	(0)	(0)	(0)	(1)	(1)	(2)
<b>Total Uses of Cash</b>	<b>(23)</b>	<b>(0)</b>	<b>(0)</b>	<b>(0)</b>	<b>(23)</b>	<b>(2)</b>	<b>(24)</b>
<b>Total Cash From Operations</b>	<b>1,184</b>	<b>264</b>	<b>24</b>	<b>30</b>	<b>1,503</b>	<b>76</b>	<b>1,579</b>
Pre-Petition Inter-Company Receipts	56	0	2	-	58	0	58
Post-Petition Inter-Company Receipts	38	570	0	127	735	15	750
Dividend Receipts	4	-	12	-	16	-	16
<b>Total Inter-Company Transfers Receipts</b>	<b>(f) (g) 98</b>	<b>571</b>	<b>13</b>	<b>127</b>	<b>809</b>	<b>15</b>	<b>824</b>
Pre-Petition Inter-Company Disbursements	-	-	-	-	-	(58)	(58)
Post-Petition Inter-Company Disbursements	(695)	(20)	(6)	(3)	(724)	(26)	(750)
Dividend Disbursements	-	-	-	-	-	(16)	(16)
<b>Total Inter-Company Transfers Disbursements</b>	<b>(f) (g) (695)</b>	<b>(20)</b>	<b>(6)</b>	<b>(3)</b>	<b>(724)</b>	<b>(100)</b>	<b>(824)</b>
Payments to Creditors - Other	(6)	-	-	-	(6)	-	(6)
<b>Total Payments to Creditors</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(6)</b>	<b>(0)</b>	<b>(6)</b>
Other	(2)	(0)	(0)	(0)	(2)	(0)	(2)
Reclass from/(to) Restricted Cash to Free Cash	93	(561)	(0)	(125)	(593)	-	(593)
<b>Ending Free Cash and Investments (05/31/16)</b>	<b>765</b>	<b>291</b>	<b>101</b>	<b>310</b>	<b>1,468</b>	<b>264</b>	<b>1,732</b>
<b>Beginning Restricted Cash (05/01/16)</b>	<b>3,535</b>	<b>1,056</b>	<b>22</b>	<b>341</b>	<b>4,955</b>	<b>38</b>	<b>4,992</b>
Disputed unsecured claims	(f) -	561	-	125	686	-	686
Secured, Admin, Priority Claims and Other	(14)	-	-	-	(14)	-	(14)
Cash pledged to JPMorgan (CDA)	(h) (76)	-	-	-	(76)	-	(76)
Citigroup and HSBC	(1)	-	-	-	(1)	-	(1)
Other	(1)	-	0	0	(1)	-	(1)
Net Changes	(93)	561	0	125	593	-	593
<b>Ending Restricted Cash (05/31/16)</b>	<b>3,442</b>	<b>1,617</b>	<b>22</b>	<b>466</b>	<b>5,547</b>	<b>38</b>	<b>5,585</b>
<b>Beginning Total Cash and Investments (05/01/16)</b>	<b>3,628</b>	<b>1,094</b>	<b>91</b>	<b>623</b>	<b>5,435</b>	<b>311</b>	<b>5,746</b>
Net changes	580	814	32	154	1,580	(9)	1,571
<b>Ending Total Cash and Investments (05/31/16)</b>	<b>(i) \$ 4,208</b>	<b>\$ 1,908</b>	<b>\$ 123</b>	<b>\$ 776</b>	<b>\$ 7,015</b>	<b>\$ 302</b>	<b>\$ 7,317</b>

All values that are exactly zero are shown as "-". Values between zero and \$0.5 million appear as "0".  
 Totals may not foot due to rounding.

**LEHMAN BROTHERS HOLDINGS INC. and other Debtors and Debtor-Controlled Entities**  
**Schedule of Cash Receipts and Disbursements**  
**May 1, 2016 - May 31, 2016**

Unaudited (\$)

**Notes:**

- (a) Cash collections at Debtor-Controlled Entities primarily include receipts from sales of various publicly held positions.
- (b) Cash collections at LBSF and Other Debtors include \$201 million and \$30 million, respectively, related to the settlement agreement with JP Morgan Chase Bank N.A. ("JPM Settlement Agreement"). The remaining cash receipt of \$1.189 billion related to the JPM Settlement Agreement is included in Other at LBHI, as described in footnote (c) below. Refer to the Quarterly Financial Report as of December 31, 2015 [Docket No. 52332] for additional information on the JPM Settlement Agreement.
- (c) Other includes (i) cash collections of \$1.189 billion at LBHI related to the JPM Settlement Agreement, and (ii) net variation margin of \$16 million received on the Company's foreign currency hedging program related to various movements in the Euro, British Pound and Swiss Franc versus the US Dollar.
- (d) A portion of the Operating Expenses paid by LBHI is subject to allocations to, and reimbursement from, various Debtors and Debtor-Controlled Entities.
- (e) Compensation and Benefits includes the Company's employee expenses as well as fees paid to Alvarez & Marsal (A&M).
- (f) Inter-Company Receipts and Disbursements include repayments by LBHI to LBSF and LBCC of \$561 million and \$125 million, respectively, related to investments of LBSF's and LBCC's cash reserves in secured notes issued by LBHI; these amounts are reflected in Receivables from Debtors and Debtor-Controlled Entities and Other Assets in the Quarterly Financial Report as of December 31, 2015. The repayments by LBHI increased the disputed unsecured claims cash reserves at LBSF and LBCC, and were subsequently released in connection with the tenth Plan distribution on June 16, 2016.
- (g) Inter-Company Receipts and Disbursements include partial repayments on intercompany balances, settlement of costs allocation, dividend distributions, and other administrative activities.
- (h) Represents cash pledged by LBHI to JP Morgan Chase Bank N.A. that was released as a result of the JPM Settlement Agreement.
- (i) Ending Total Cash and Investments for Debtor-Controlled Entities - Other includes \$14 million of cash balances at Debtor-Controlled Entities in Asia.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-CONTROLLED  
ENTITIES**

**BASIS OF PRESENTATION**  
**SCHEDULE OF PROFESSIONAL FEE AND EXPENSE DISBURSEMENTS**  
**MAY 1, 2016 – MAY 31, 2016**

The information and data included in this May 2016 Post-Effective Operating Report (the “Operating Report”) are derived from sources available to Lehman Brothers Holdings Inc. (“LBHI”), as Plan Administrator and its Controlled Entities (collectively, the “Company”). The term “Controlled Entities” refers to those entities that are directly or indirectly controlled by LBHI, and excludes, among others, those entities that are under separate administrations in the United States or abroad. LBHI and certain of its Controlled Entities had filed for protection under Chapter 11 of the Bankruptcy Code, and those entities are referred to herein as the “Debtors”. The Debtors’ Chapter 11 cases have been consolidated for procedural purposes only and are being jointly administered pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure. LBHI has prepared this Operating Report, including certain information as required by the Office of the United States Trustee, based on the information available to LBHI at this time, but note that such information may be incomplete and may be materially deficient in certain respects. This Operating Report is not meant to be relied upon as a complete description of the Debtors, their business, condition (financial or otherwise), results of operations, prospects, assets or liabilities. LBHI reserves all rights to revise this report.

1. This Operating Report is not prepared in accordance with U.S. generally accepted accounting principles (GAAP), is not audited and will not be subject to audit or review by the Company’s external auditors at any time in the future.
2. The professional fee disbursements presented in this report reflect the date of actual cash payments to professional service providers. The Company has incurred additional professional fee expenses during the reporting period that will be reflected in future Operating Reports as cash payments are made to providers.
3. The professional fee disbursements presented in this report have primarily been paid by LBHI; a portion of these fees have been and will be allocated to Debtors and certain Controlled Entities based on the dedicated costs associated with each entity and an allocation methodology.

## LEHMAN BROTHERS HOLDINGS INC. and Other Debtors and Debtor-Controlled Entities

## Schedule of Professional Fee and Expense Disbursements

May 2016 (a)

Unaudited (\$ in thousands)

		May-16	Year-to-date
Alvarez & Marsal LLC	Staff Resources	\$ 1,216	5,681
<b>Professional Fees</b>			
Allister Brown Group LLC	Document Review for Litigations	447	1,607
Curtis, Mallet-Provost, Colt & Mosle LLP	Litigation Counsel	128	631
Epiq Bankruptcy Solutions LLC	Claims Management and Noticing Agent	203	1,114
F1 Technical Solutions, INC	Document Review for Litigations	789 (b)	1,181
Goldin Associates, LLC	Litigation Counsel	253	253
Jones Day	Litigation Counsel	584	3,286
Milbank Tweed Hadley & McCloy, LLP	UCC Litigation Committee and Litigation Counsel	-	68
Paul, Hastings, Janofsky & Walker LLP	Special Counsel - Real Estate	155	810
Quinn Emanuel Urquhart Oliver & Hedges, LLP	Litigation Counsel	1,533	9,984
Recovco Mortgage Management LLC	RMBS - Private Label Litigation	2,466 (b)	7,006
Rollin Braswell Fisher LLC	Special Counsel - RMBS	866	2,892
Skadden, Arps, Slate, Meagher & Flom LLP	Special Counsel - Tax, Litigation, Other, and BOD counsel	56	209
Weil Gotshal & Manges	Lead Counsel - Debtors	763	5,633
Willkie Farr & Gallagher LLP	Special Counsel - RMBS	-	1,928
Wollmuth Maher & Deutsch LLP	Special Counsel - Derivatives and RMBS	820	3,131
US Trustee Quarterly Fees		-	368
Other Professionals	Various	1,758 (c)	10,045
Sub-total Professional Fees		10,821	50,146
<b>Total Professional Fees (including A&amp;M)</b>		<b>12,037</b>	<b>55,827</b>
Alvarez & Marsal LLC	Incentive fees	2,012	2,012
Houlihan Lokey Howard & Zukin Capital Inc.	Incentive fees	402	402
<b>Total Incentive Fees</b>		<b>2,414 (d)</b>	<b>2,414</b>
<b>Total Professional and Incentive Fees</b>		<b>\$ 14,451</b>	<b>58,241</b>

Note: The above list includes vendors that have been paid over \$1 million on a trailing 12 month basis and vendors that were paid over \$150 thousand for the month reported.

(a) The Company has incurred additional professional fee expenses that will be reflected in future Operating Reports.

(b) Reflects professional fees incurred over multiple months.

(c) Other Professionals reflect disbursements, including expert witnesses fees, to approximately 100 vendors.

(d) Reflects incentive fees related to the Ninth Distribution to holders of Allowed Claims. Refer to Docket No. 32470 and Docket No 32155 for additional information on Alvarez &amp; Marsal and Houlihan Lokey incentive fees, respectively.

**LEHMAN BROTHERS HOLDINGS INC. AND OTHER DEBTORS AND DEBTOR-  
CONTROLLED ENTITIES**

**RESPONSES TO QUESTIONS SUBMITTED**

The information included herein is derived from publicly filed documents and sources available to the Company.

The reader should refer to the respective documents referenced in connection with these responses. Capitalized terms used in the responses herein have the meanings ascribed to them in the respective documents. These responses are not provided for and should not be relied upon for investment guidance.

- 1. QUESTION:** Please provide the updated notional amounts of the Company's foreign currency hedges.

**Response:** The Company conducts hedging programs to protect (i) against the loss of value of a portion of certain foreign affiliate receivables, real estate assets, and derivatives due to fluctuations in foreign exchange rates, and (ii) the value of certain derivatives transactions that have not been terminated by counterparties. As of June 22, 2016, the Company's currency hedging program included hedges against movements in the Euro, British pound, and Swiss franc, primarily related to certain foreign currency exposures in Receivables from Non-Controlled Affiliates. Total notional amounts hedged related to Receivables from Non-Controlled Affiliates were approximately €96 million, £1,023 million, and CHF 183 million. As of June 22, 2016, the cash posted as collateral, net of gains or losses on hedging positions, related to the Company's foreign currency hedging program was \$139 million.

- 2. QUESTION:** The Notice Regarding Tenth Distribution [Docket No. 52991] reflects total payment to LBHI's allowed creditors of \$1.77 billion, which exceeds LBHI's cash receipts of \$1.189 billion related to the JPM Settlement Agreement. Does the LBHI payment of \$1.77 billion include cash collected from other sources?

**Response:** LBHI total payment of \$1.77 billion was primarily comprised of cash received from (i) the JPM Settlement Agreement, net of repayments to LBSF and LBCC related to investments of LBSF's and LBCC's cash reserves in secured notes issued by LBHI, (ii) intercompany payables, primarily LBSF and LCPI, and (iii) cash collected during April and May 2016, such as the \$129 million received from Lehman Brothers Finance S.A.

- 3. QUESTION:** According to the Notice Regarding Tenth Distribution [Docket No. 52991] LCPI percentages distribution for Class 4A and 5C claims were 0.337277% and 0.421076%, respectively. Please explain why the LCPI percentage distribution for Class 4A claims was lower than Class 5C claims.

**Response:** The LCPI Class 4A claims distribution percentage was impacted by an unliquidated filed claim newly allowed at \$20 million, as shown in the Exhibit D of the Notice Regarding Tenth Distribution. This claim was not included in the disputed claims reserve.

- 4. QUESTION:** Exhibit B of the Notice Regarding Tenth Distribution [Docket No. 52991] indicates that \$9 million dollars of prior distributions were recovered by way of subrogation on account of guarantee claims corresponding to primary claims against LBCS. What is the total of LBHI's subrogated claims into LBCS after the Tenth Plan distribution?

**Response:** The total of LBHI's subrogated claims into LBCS is approximately \$2.0 billion.